

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Eighty-second Session
March 14, 2023**

The Senate Committee on Revenue and Economic Development was called to order by Chair Dina Neal at 1:02 p.m. on Tuesday, March 14, 2023, in Room 2149 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Dina Neal, Chair
Senator Fabian Doñate, Vice Chair
Senator Pat Spearman
Senator Heidi Seevers Gansert
Senator Carrie A. Buck

GUEST LEGISLATORS PRESENT:

Senator Julie Pazina, Senatorial District No. 12

STAFF MEMBERS PRESENT:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst
Christian Thauer, Deputy Fiscal Analyst
Connie Summers, Committee Secretary

OTHERS PRESENT:

Tina Quigley, CEO, Las Vegas Global Economic Alliance
James Humm, Nevada Governor's Office of Economic Development
Francisco Aguilar, Secretary of State
Nick Vander Poel, Northern Nevada Development Authority
Dylan Keith, Vegas Chamber
Emily Osterberg, Henderson Chamber of Commerce
Jason Soto, General Manager, Vu Studios LLC
Mendy Elliott, Economic Development Authority of Western Nevada

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Francisco Morales, Latin Chamber of Commerce
Nicole Rourke, City of Henderson
Briana Johnson, Assessor, Clark County; Nevada Assessors' Association
Jeffrey Mitchell, Deputy Director, Local Government Services, Nevada
Department of Taxation
Vinson Guthreau, Executive Director, Nevada Association of Counties
Michael Hillerby, City of Sparks
Lynn Chapman, Independent American Party
Janine Hansen, Nevada Families for Freedom
Wiselet Rouzard, Americans for Prosperity
Mariann Humphrey
Susan Proffitt, Nevada Republican Club
Alida Benson, Executive Director, Nevada Republican Party
Bob Russo
Lisa Partee
Katie Banuelos, Libertarian Party of Nevada
Jim DeGraffenreid, Nevada Republican Party
Leslie Quinn
Cyrus Hojjaty
Pauline Lee, Keystone Corporation

CHAIR NEAL:

I call Senator Pazina to the table to present Senate Bill (S.B.) 181.

SENATE BILL 181: Revises provisions relating to economic development.
(BDR 18-683)

SENATOR JULIE PAZINA (Senatorial District No. 12):

Nevada, through the Governor's Office of Economic Development (GOED), offers a variety of incentives to entice qualifying companies to do business in the State. This includes sales tax abatements on capital equipment purchases, sales and use tax deferral on capital equipment purchases and abatements on personal and Modified Business Taxes among others.

In 2013, with the passage of A.B. No. 61 of the 77th Session, the Legislature approved shifting the authority to approve partial tax abatements from the GOED Executive Director to the Board of Economic Development for abatements totaling \$250,000 or more. Based on the review of the legislative history, this change clarified for whom and at what level abatements should be approved. In

the last decade, as more businesses sought to do business here in the State, the threshold for approving tax abatements has created some inefficiencies with the GOED operation and the Board.

In summary, S.B. 181 will increase the threshold from \$250,000 to \$500,000. Increasing the Executive Director's approval threshold will assist GOED in streamlining its processing measures while maintaining a deeper focus on larger applicants and projects in the pipeline. It will also shorten the time period in which small businesses and targeted industries can proceed with their relocation and expansion plans.

TINA QUIGLEY (CEO, Las Vegas Global Economic Alliance):

Las Vegas Global Economic Alliance (LVGEA) is one of the State's eight regional economic development authorities. Our role, along with Nevada's GOED, is to diversify our economy for the betterment of Nevadans. We do that by encouraging entrepreneurship, recruiting new businesses and coordinating the economic development activities among our local governments throughout the greater Las Vegas region.

The reason state regions and local partners place so much emphasis on economic development is because it directly correlates to the economic and social well-being of the people who live in our State, whether by creating an increased standard of living; cultivating higher-income careers; generating new, innovative jobs; providing opportunities outside of gaming and hospitality; creating tax revenues that lead to improved infrastructure; or fostering an environment that supports entrepreneurship.

Focusing on bringing in new business and expanding businesses that employ Nevadans who sell at least 51 percent of their goods and services outside of our State results in the generation of new State and regional tax revenues that are reinvested into our communities.

The dollar value threshold has been stagnant for ten years, and inflation has eaten away at that value and in effect diminished the ability to quickly benefit small businesses and industries in Nevada. As the State's largest regional economic development authority, we combed through the last two years of applications and identified only two applicants that fit under the \$250,000 abatement threshold. In both circumstances, those small businesses could have had the opportunity to establish their business and expand jobs to our market in

a much quicker fashion in nearly half the time if this proposal was in place. Both businesses support of S.B. 181 because the bill can afford other companies like theirs to benefit from these amendments.

Additionally, we are increasingly challenged in southern Nevada with competing for those employers who can bring quality, innovative and high-paying careers to our region. This is due to a number of factors, including the lack of land ready to be developed, challenges with talent and workforce, and preparation of the right workforce skills for jobs. Of note, Nevada affords the least amount of competitive economic development incentives when compared to its neighboring states in the Southwest despite the State's favorable tax climate.

We are grateful for Senator Pazina's vision to provide a sensible update that would support primarily small, independently owned and operated businesses in a way that does not modify Nevada's State-directed metrics and measurements which applicants must meet to receive consideration for a possible partial performance-based tax abatement. It also does not change the period of time GOED is afforded to thoroughly vet and approve abatement applications, the State-directed clawback provisions in place for applicants who do not meet the legislative performance milestones or preclusion of these businesses from presenting to the GOED Board during a forthcoming meeting even if that applicant recently received approval.

This proposal updates the threshold number to meet today's costs of doing business. Time is money in business, especially for smaller businesses. Senate Bill 181 affords the State to have a tool to aid Nevada's economic development work. We are fortunate to have the opportunity to work with Senator Pazina and her bipartisan cosponsors of the bill.

JAMES HUMM (Nevada Governor's Office of Economic Development):

We spend our days at GOED focused on the core mission of the agency which is to bring good-paying jobs to Nevada via diversified industries. Senate Bill 181 will assist us in expediting that mission so small businesses that qualify for these partial abatements can enter the Nevada market sooner; begin spending money on equipment, land and/or leases; and start the hiring process to get people employed sooner at stronger wage rates.

We will always remain diligent in our work to continue to diversify Nevada's economy. In this particular case, we will be assisting smaller businesses coming

to this State and giving them every chance to thrive and succeed in an expeditious manner.

CHAIR NEAL:

In terms of the information put on the record today, how many expected projects do you anticipate with this increased cap of \$500,000?

MR. HUMM:

I do not think that would impact the number of projects initially.

CHAIR NEAL:

It is my understanding that some projects had potential but were not allowed to proceed because of the \$250,000 cap. Do you expect those projects to resurface?

MS. QUIGLEY:

I do not know if I can answer that without looking at the pipeline in place with our business development team. I can say that when we went through two years of data, less than 30 percent of the applicants would have been higher than the \$250,000 but under the \$500,000 window.

SENATOR SPEARMAN:

For new businesses coming to the State, an economic ecosphere will be created because of the new businesses—primary, secondary, tertiary. Have you calculated what that might look like?

MS. QUIGLEY:

No, we have not.

SENATOR PAZINA:

A study was done showing the pipeline from the last two years, and the number jumped from approximately 2.8 percent of projects to around 34 percent to 35 percent of projects that could have potentially qualified over the last two years. I do not know what is in the pipeline at this time.

SENATOR SPEARMAN:

We are moving into a broader spectrum of energy. For every job created in that industry, usually eight to ten jobs will need to be housed somewhere. Initially, it is usually in a small business. If we can resolve this, then that also helps us as

we look forward in terms of workforce development and what other infrastructure needs to be in place as we look at building our economic diversity.

MS. QUIGLEY:

Certainly, you are right. One of the values of bringing in new companies that mostly sell their goods outside of our State is that they create supply chain or ancillary jobs so there is a concentric circle that stems from each one of those companies in the economic development ecosystem.

SENATOR SPEARMAN:

Has any thought been given to bringing some of the smaller chambers of commerce—Urban Chamber, Latin Chamber, Women's Chamber, LGBTQA chamber—inside those concentric circles so they can begin to do outreach to businesses and grow their own as well?

MS. QUIGLEY:

Our team is resurfacing the council of chambers wherein we will be convening the chambers chartered in the greater Las Vegas region to keep them apprised of the companies that have located or are looking to locate to the region so they have access in terms of understanding the needs of those businesses.

MR. HUMM:

At GOED, I meet with all the chambers at least monthly, and in some cases every two weeks, to keep them apprised of everything going on—especially the new companies coming to the State. We will continue to do that.

SENATOR SEEVERS GANSERT:

Going back to the threshold, the companies under \$250,000 are deemed approved by GOED. Are we just moving that number because for those above \$250,000, there is another process to get the partial abatement? This is sort of streamlining the process for the small businesses, is that correct?

MR. HUMM:

Yes, that is correct.

SENATOR SEEVERS GANSERT:

They were eligible anyway. It was just the process by which they were approved.

MR. HUMM:

Yes, that is correct. We will still notice all these companies with whom we partner so they will continue to be shown in their entirety each time the Board meets.

CHAIR NEAL:

As we move in this direction of focusing on small- to mid-size businesses, is GOED considering staying in the position of focusing on small- to medium-sized businesses? Is there a lack of interest in the larger-size abatements?

MR. HUMM:

Certainly, conversations are to be had, and I will work with this Committee and the Governor's Office on that matter. We are open to conversations and will continue to work on the mid-size and smaller-level businesses.

FRANCISCO AGUILAR (Secretary of State):

As a Board member of GOED, my role as the Secretary of State is to promote a robust, diversified and prosperous economy in Nevada. This is done by supporting business expansion, retention, and encouraging entrepreneurship and attracting new businesses with the intent to create well-paying jobs. Economic development plays a strong role in building a strong quality of life in our communities. Southern Nevada is extremely competitive with Phoenix, Arizona, and we must take advantage of sensible proposals like the one being presented by Senator Pazina.

NICK VANDER POEL (Northern Nevada Development Authority):

The Northern Nevada Development Authority represents the Sierra region of Nevada, including Carson City, Douglas, Lyon, Mineral and Storey Counties. We support S.B. 181.

DYLAN KEITH (Vegas Chamber):

As the largest and broadest business-based organization in Nevada, the Vegas Chamber is proud that a majority of our membership is small businesses. The Chamber supports small businesses as the backbone of Nevada's economy. The cost to do business has increased, and this legislation will mitigate some of the challenges that small businesses face as they work to expand and create more career opportunities for Nevadans. We also believe in the mission of GOED and support the streamlined process granted to the office to directly support our local economy through the proposed amendment. With the passage of this bill,

Nevada's businesses will have greater opportunity to grow, create careers for Nevadans and create a larger benefit for Nevada's economy. We ask for your support on S.B. 181.

EMILY OSTERBERG (Henderson Chamber of Commerce):

The Henderson Chamber of Commerce has more than 1,800 members with roughly 85 percent of those being small businesses. As written, S.B. 181 would streamline incentives and help encourage and support economic development in Nevada, especially for small, independent businesses. These investments will help create quality, good-paying career opportunities for all Nevadans. We are in strong support of this bipartisan legislation and urge the Committee to support it as well.

JASON SOTO (General Manager, Vu Studios LLC):

Vu Studios is a virtual production and technology company focused on providing a range of innovative products and services to the film industry. I am here on behalf of the entertainment industry, specifically for film and media, and most importantly, as a recipient of economic development incentives offered by the Nevada which has been an integral part of our strategy.

The projected cost savings from the support of these initiatives has allowed Vu Studios to hire a greater number of full-time employees while supporting the Governor's initiative for providing more Nevadans with long-term work and career opportunities. Additionally, as we continue to look at S.B. 28, we know we will have more small businesses coming to southern Nevada to support the growing entertainment, film and media industries. Vu Studios is projected to add 20 full-time employees with an average wage of \$35 per hour over the next two years of operations. Nevada's probusiness climate provides not only our company but also many small businesses supporting the film and entertainment industry with a sustainable vocation for ongoing growth. We need to know Nevada is able to enhance its ability to be more economically competitive as we continue work to close the time frame in which these applications are approved.

SENATE BILL 28: Revises provisions governing transferable tax credits for film and other productions. (BDR 32-254).

Time is money in business, and S.B. 181 is a tool that does not cost Nevada money or shift its vetting process but rather aids Nevada's economic development as we continue to move forward in the future.

MENDY ELLIOTT (Economic Development Authority of Western Nevada):
Many of the previous speakers have stated my comments. I appreciate LVGEA and GOED for their leadership going forward.

FRANCISCO MORALES (Latin Chamber of Commerce):
I echo all the testimony today. The Latin Chamber fully supports this bill. We need to remain nimble to be competitive. We have seen many small- and mid-size companies not choose Nevada and go to another state to do business because of the process to get abatements or partial abatements. To continue to be competitive, the Latin Chamber of Commerce fully supports this legislation.

NICOLE ROURKE (City of Henderson):
We support S.B. 181 and its efforts to streamline existing tax abatement programs that support economic diversification efforts throughout the State to help Nevada small businesses grow while providing incentives for new businesses looking to relocate to Nevada. In Henderson, tax abatements have supported the growth of local small businesses such as Lithion, Sunshine Minting and Safe Life Defense. These three expanding businesses will create over 500 good-paying jobs in Henderson. This commonsense, bipartisan legislation would provide more opportunities for local small businesses to receive State support for their expanding operations. In addition, as Henderson's economic development team actively recruits good-fit businesses, tax maintenance plays a critical role in a company's final decision-making process. Recent businesses attracted to Henderson include Airgas Safety, ENTEK Manufacturing and AmeriStar Agency. These three relocating businesses will create over 700 good-paying jobs in Henderson. Simplifying the process by which a company is considered for abatements will better assist economic developers in recruiting companies to Henderson, thereby creating good-paying jobs and spurring investment in the local economy. We support S.B. 181.

SENATOR PAZINA:
With small businesses in mind, I hope you have an opportunity to bring S.B. 181 to work session later this Session, and I urge your support.

CHAIR NEAL:

The hearing on S.B. 181 is closed. We will move to a presentation on S.B. 96.

SENATE BILL 96: Revises provisions relating to taxation. (BDR 32-374)

BRIANA JOHNSON (Assessor, Clark County; Nevada Assessors' Association):

To prepare the Committee for S.B. 96, this presentation ([Exhibit C](#) contains copyrighted material. Original is available upon request of the Research Library.) explains what the county assessor does; how we calculate valuation and tax caps; and what exemptions, partial exemptions and abatements are offered. Andy Heiser, President of the Nevada Assessors' Association, is also available to answer questions.

The assessor is required by Nevada law to discover, list and value all real and personal property within the county. Most of this presentation focuses on real property, Slide 1.

Property tax is governed by *Nevada Revised Statutes* (NRS) 361 and *Nevada Administrative Code* (NAC) 361, Slide 3.

The secured—real property—and unsecured—personal property—tax roll dates are reflected on Slide 4.

The statute governing how we value real property within our counties is NRS 361.227. The land value is determined by the full cash value of vacant and improved land. The taxable value of real property is determined by appraising improvements made on the land and subtracting the cost of replacement of new improvements, applicable depreciation and obsolescence. Depreciation is calculated each year at 1.5 percent of the cost of replacement to a maximum of 50 years or 75 percent, Slide 5.

The property valuation formula is demonstrated on Slide 6. Land value is based on the market value of the land. Replacement cost new less depreciation (RCNLD) is the improvement value. We are mandated to use the cost method in the *Marshall & Swift Residential Cost Handbook* to calculate the improvement value. The RCNLD is the total taxable value used to test the market because by law, we are not allowed to exceed market value.

The property tax calculation formula is shown on Slide 7. Once determined that the market value has not been exceeded and the taxable value is correct, the assessment ratio of 35 percent applied to the taxable value results in the assessed value. That information is sent to the treasurer's office for billing and collection. The treasurer multiplies the assessed value by the tax rate, resulting in the tax amount for the property.

The assessor's office works with several tax abatements—the tax cap for owner-occupied residences or rentals at or below Housing and Urban Development (HUD) rates; the tax cap for nonresidential or primary residence properties; economic development; and energy, Slide 9.

The tax abatement law took effect on July 1, 2005, for fiscal year (FY) 2005-2006. The law stipulates that taxes cannot increase more than 3 percent to 8 percent each year, depending on the property type. Adding anything new to a property is not subject to the tax cap, Slide 10.

Property tax cap abatements are administered by the assessor's office. The tax cap falls on the actual taxes calculated, not the value of the property, which is 3 percent on primary residences, 3 percent on residential rental dwellings rented within the HUD rental rates and up to 8 percent for all other property types, Slide 11.

Slide 12 shows examples of Year 1 and Year 2 property tax calculations using 1.5 percent depreciation, an assessment ratio of 35 percent and capped tax abatements of 3 percent and 8 percent. The treasurer would apply the lesser of the taxes as assessed or the capped tax.

Slides 13, 14 and 15 review historical tax caps for Clark, Washoe and Storey Counties, respectively. There are 14 other counties in Nevada, and the tax cap percentages are not always the same, so the assessor's office does a secondary calculation in those cases.

CHAIR NEAL:

Fiscal years 2010-2011 to 2016-2017 were recession and recovery years, correct?

Ms. JOHNSON:

Correct.

CHAIR NEAL:

In FY 2016-2017, there appears to be an anomaly in your data for Washoe and Clark Counties but not Storey County. It is my understanding inflation affected the 0.2 percent tax cap in Clark and Washoe Counties; if so, why was this not the case in Storey County?

Ms. JOHNSON:

That is a question more appropriate for the Department of Taxation, but I believe it relates to the consumer price index (CPI).

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst):

The Committee members have a set of tables, also found on the Legislature's website, prepared by Fiscal staff that demonstrate the calculation of the tax caps going back to their inception in FY 2006.

If you look at Table 2 on page 2 of Property Tax Partial Abatement Caps ([Exhibit D](#)), there is the calculation of the caps for all 17 counties in Nevada for FY 2016-2017. The formula for the alternative cap is a two-part calculation. The first part is the greater of zero—the ten-year average change in assessed value or two times the CPI from the previous calendar year. For FY 2016-2017, it would have been the change in the CPI for calendar year 2014-2015. Looking at Table 2, all counties have reflected in the orange column two times the CPI growth rate, the 0.2 percent; in some counties, including Storey County, the ten-year average change in assessed value was greater than 0.2 percent. In Storey County's instance, the cap for FY 2016-2017 assessed value was 2.9 percent. For FY 2016-2017, Clark County was a minus 2.7 percent for assessed value. Therefore, it goes to 0.2 percent CPI. Washoe County's average assessed value change over ten years was flat, so it also went to 0.2 percent CPI.

Ms. JOHNSON:

Economic development abatements are administered by GOED pursuant to NRS 361.0687. This allows for a partial abatement up to 50 percent of taxes imposed on personal property for a period of one year to ten years for certain new and expanded businesses that make a significant capital investment based on the population of the county or city where the business is located, Slide 16.

There are also energy abatements administered by GOED pursuant to NRS 701A. This allows for partial abatements of property taxes for buildings

and structures which meet certain energy-efficient standards. It includes green buildings, renewable energy facilities and businesses and facilities using recycled materials. On July 1, 2021, the Green Building Tax Abatement program was discontinued, but ten years still remain on those projects approved for FY 2022-2023, Slide 17.

New values outside the tax cap are administered by the assessor's office. Pursuant to NRS 361.4722 to NRS 361.4724 and NAC 361.6035, it is attributable to any improvement to or change in the actual authorized use of a property and includes new value from new construction, new subdivision parcels, other new parcels—except those qualifying as remainders—plus new personal property accounts and new personal property assets on current accounts, Slide 18.

We also administer partial exemptions for a surviving spouse, the blind, veterans, lodges and other charitable organizations, Slide 20.

We have full exemptions for State lands, political subdivisions of the State, school districts and charter schools, pollution control, qualifying low-income housing projects, and churches and chapels, Slide 21.

On the Net Proceeds of Minerals Tax, there are net proceeds tax rate exceptions and net proceeds distribution, Slide 22.

JEFFREY MITCHELL (Deputy Director, Local Government Services, Nevada Department of Taxation):

Established by NRS 360.010, the Nevada Tax Commission (NTC) consists of eight citizens appointed by the Governor. In addition, the Governor is an ex officio nonvoting member of the NTC. Each commissioner serves an initial four-year term and can serve more than one term. The NTC meets eight to ten times a year to hear appeals, review and hold public hearings on regulations and pursue other such actions as are necessary for the operation of the Nevada Department of Taxation (NDT). The Commission has regulatory authority governing the assessment process.

Nevada Administrative Code 361 is quite comprehensive concerning the assessment process. The NTC also develops improvement factors, manuals guidance, agricultural values, tax cap calculation and a variety of different other

publications each year to ensure uniformity and equalization and to aid in the property tax system.

The Tax Commission also conducts a ratio study each year which measures the uniformity of assessment throughout each county. The ratio by statute is 35 percent of taxable value. Statute and adopted regulations require the statistical measure of assessments in a county be in the range of 32 percent to 36 percent, using the median and also looking at other measures of equalization. The NDT conducts this ratio study to ensure equalization and conformity. If assessment statistics fall outside of that range, the Commission may order an adjustment or reappraisal of values.

Slide 2 of the Property Tax Assessment presentation ([Exhibit E](#)) is an attempt to show how key players within the property tax system interact and interplay with each other. One involvement or one step by one party has effects on many different parties.

Within the NDT is the Division of Local Government Services. We value property for property tax purposes of an interstate or intercounty nature. These include railroads, airlines, power companies and gas companies. We also value the Net Proceeds of Minerals Tax and establish the property tax value for mines. The mines are valued in accordance with other locally assessed property pursuant to NRS 361 and NAC 361. We then submit those valuations from mine properties to the treasurers of the various counties where they bill and collect those taxes. In our oversight function, in addition to the ratio study, we provide guidance to assessors on various issues and have a staff of four members who review the local government entity budgets for all the jurisdictions, Slide 3.

Slide 4 shows a list of the different publications on our website that aid in the assessment process for the assessors, together with information for the public.

With the complexity of the property tax system, good working relationships with the counties and State and between each assessor's office and my office are requisite. The county assessors issue many reports to NDT, and many of these reports are due multiple times each year, Slide 5.

The Constitution of Nevada guides the principle and establishes the property tax system by implementing a uniform and equal rate of assessment and taxation for all property—real, personal and possessory—except for mines and mining

claims, net proceeds and minerals as well as the property tax on mines, which are established elsewhere in the Constitution, Slide 6.

Slide 7 addresses some limits within the property tax system. The first limit in the Nevada Constitution states and establishes the maximum tax rate or levy allowed, and that is \$.05 on \$100 of assessed valuation.

There are additional statutory constraints, the first being NRS 361.453 which establishes the tax rate or levy must not exceed \$3.64 on each \$100 of assessed valuation, Slide 8. There are some exceptions to this rule. If local government entities fall into severe financial emergencies, those limits are at different levels. In addition, the Legislature can approve \$.02, often referred to unofficially as the State debt rate, which is outside the \$3.64. Therefore, the true limit the levy can reach is \$3.66 on each \$100 of assessed valuation.

The level of assessment Ms. Johnson referred to is once a taxable value is established, the assessment is 35 percent of that value, Slide 9.

Ms. Johnson addressed valuation and how it is set within the State, Slides 10 to 14. On our website and in different publications is a full list of property tax exemptions available on different types of property. Additionally, NDT produces the *Tax Expenditure Report* every biennium where we establish the cost of those different types of properties and abatements, Slide 15.

Sometimes, the terms exemption and abatement are used synonymously; but within the valuation and the assessment process, they are not the same. "Exempt from taxation" alters the assessed value, meaning there is not a tax levy established against that assessed value. An abatement is an abatement after the taxes have been established. An exemption affects assessed value while an abatement affects taxes, Slide 16.

Ms. Johnson addressed the tax cap in her presentation. The actual calculation of the tax cap is established by the NDT. There are two different reports published by the NDT. The first is a preliminary tax cap established in early February which aids in the budget projections for the various local government entities. After all the reports are established by the assessors and received by the NDT, the final tax cap is published each March for the upcoming fiscal year.

I also brought the actual tax cap factors ([Exhibit F](#)) established last year and can discuss that in detail if you wish.

CHAIR NEAL:

I would like to see that tax cap information.

MR. MITCHELL:

Slide 1 of [Exhibit F](#) is the tax cap for FY 2022-2023. We look at the ten-year average of the various moving average growth rates for the different counties and establish that rate as well as calculate twice the CPI. The CPI change year over year was 4.7 percent, so twice that was 9.4 percent. We take the moving average growth rate for the county compared to twice the CPI and use the greater of those numbers. That is then compared to 8 percent, and then we take the lesser of 8 percent or whatever that calculation result.

CHAIR NEAL:

Looking toward future inflation, how far out do your projections for CPI go?

MR. MITCHELL:

The tax cap calculation is a backward-looking calculation. We do not provide projections on the tax cap into the future.

CHAIR NEAL:

You just look back ten years.

MR. MITCHELL:

Correct.

VICE CHAIR DOÑATE:

Next, we will open the hearing on [S.B. 96](#).

SENATOR DINA NEAL (Senatorial District No. 4):

I will present [S.B. 96](#), which came from the Joint Interim Standing Committee on Revenue (JISCR).

This bill was first presented in 2017 by the Nevada Association of Counties (NACO). We had conversations during the Interim about modernizing tax statute and stabilizing revenue going into the future. The conversations pertaining to

S.B. 96 were about examining where we were in terms of property tax and whether there was an opportunity to stabilize it.

At the time of those conversations, we just came out of COVID, having experienced the pandemic that created a different kind of fiscal impact nationally and within Nevada. Discussions about a future recession were also rumored at the time and what would happen when the federal stimulus stopped, and the actual real dollars generated by the states entered into play. We considered our role in stabilizing revenue, particularly for local government, and a stabilization of property taxes. Senate Bill 96 was designed for that particular task.

When you look at county year-by-year data on the Table 1 property Tax Partial Abatement Cap Factors ([Exhibit G](#)), the 2017 anomaly in the aftermath of the 2011 recession was created because of loans, balloon mortgages and other issues that caused problems within our Nevada economy. This bill is trying to stabilize property tax revenue to prevent a repeat of the 2017 anomaly—the 0.2 percent.

As we saw in the previous presentation, the tax cap is 3 percent and 8 percent. This bill says it will be 3 percent. Section 1 of the bill strikes out zero, setting the floor at 3 percent, not the mathematical zero. The bill continues to repeat that strikeout, indicating 3 percent as the cap number and 8 percent at the other side of the cap for nonprimary residences and non-HUD-related residences. In essence, the bill was set up to stabilize revenue and make sure the local governments would not lose revenue but maintain 3 percent if there is a recession in the future.

VINSON GUTHREAU (Executive Director, Nevada Association of Counties):

Senate Bill 96 mimics a bill NACO brought up in the 2021 Session. This commonsense legislation brings more stability and predictability to our most-stable source of local government revenue which is property tax. Senate Bill 96 helps local governments maintain service delivery to our constituents, especially in times of recession or severe economic downturns. Local governments rely on stable sources of revenue to provide consistent local services to our communities. Nevada Association of Counties supports S.B. 96.

Ms. ROURKE:

The City of Henderson echoes the comments of our county colleagues and our support for S.B. 96.

MICHAEL HILLERBY (City of Sparks):

We echo previous comments in support of S.B. 96.

LYNN CHAPMAN (Independent American Party):

Our platform stipulates the need to cut taxes and end dollar-destroying inflationary policies. I am starting with the question I always start with about taxes—how much is enough? The answer is there will never be enough.

Everyone is struggling with higher prices on everything. Families are struggling to put food on their tables and keep roofs over their heads. And now we are thinking of raising taxes on people's homes. There is a cap on property taxes for a reason. Retirees on a fixed income find it more difficult to stay in their homes. Single parent families and single individuals cannot attempt to buy a home with the higher prices of homes and the property taxes on top of that. Everyone is talking about affordable housing. It is becoming more difficult to find a place to rent that is affordable. And now we are thinking of raising taxes.

Families work all their lives to own a home and to have some security. Families are taxed out of their homes every year. I looked online; on one list in the Reno-Sparks area, there are over 500 homes in foreclosure. Owning a home is an American dream, but government is turning our dreams into a nightmare by constantly raising property taxes. Making the cap on taxes at 3 percent, even when the prices of homes go down or the economy goes down or we have another pandemic, is going to cause more families to lose their homes. We need to find other solutions that do not always include raising taxes.

JANINE HANSEN (Nevada Families for Freedom):

I was here at the Legislature in 2009 when the State was reeling from the Great Recession which hit Las Vegas particularly hard. When the housing crisis and the credit crunch hit, the economy was paralyzed and unemployment skyrocketed, hitting almost 15 percent in 2010 as the area led the Nation in foreclosures.

We saw the crash of some banks during the last few days. The government is now bailing them out. That will mean a massive increase in inflation. The real

numbers on inflation according to John Williams at Shadow Government Statistics are about 15 percent, not what the government reports because it changed the manner of calculation in the 1980s.

This bill is supposed to stabilize taxes for local government. Who stabilizes income for people who have lost their jobs, who are underemployed or who have never been reemployed since the pandemic?

According to the Institute for Policy Innovation in the United States, the total U.S. tax burden—including federal, state and local taxes and hidden taxes—equals 56 percent of the annual personal consumption expenditures. That is more than a person spends on housing, food, health care, transportation, education and recreation. How can people possibly take care of themselves and their families when the government takes 56 percent of our income. Government taxation is a major cause of family financial distress. No wonder more people are slipping into poverty. We are concerned about those who are homeless; but as these foreclosures increase, as property taxes increase, we will continue to see more homeless families. Inflation is a hidden tax caused by excessive federal government spending, and we are all suffering from that. We do not need increases in our property taxes. We want to stay in our homes and take care of our families.

WISELET ROUZARD (Americans for Prosperity):

On behalf of thousands of activists, we urge you to oppose S.B. 96 which looks to revise the formula for calculating a partial abatement, taking it from allowing properties to be under 3 percent to starting at 3 percent and no more than 8 percent.

This is simply another attempt to increase taxes and take more hard-earned money from recovering Nevada families and businesses. It is regressive as it hits those individuals and families who are least fortunate the hardest. If your goal is to help low-income families, we suggest you consider three things that would unlock economic opportunities so families can get ahead: rein in and reform burdensome housing, land use and zoning regulations; eliminate cronyism and tax subsidies for billionaires and major corporations; cut taxes and spending; and remove barriers that stand in the way of Nevadans pursuing economic opportunities.

Our Constitution requires the Legislature to vote two-thirds for any new taxes or increases. This is an interesting way of bypassing that. We stand firm in ensuring every Nevadan is well-represented. This bill should be reconsidered as a spending cut. When we talk about stabilization with government, families must cut their budgets. The government should do the same; instead of looking for more revenue, we should be looking at ways to end wasteful spending in both local and state governments to ensure we are stabilized in that capacity. Please vote no on S.B. 96.

MARIANN HUMPHREY:

I echo the three testifiers before me on property taxes and the increase not only for individuals but for businesses. Everything trickles down, and it increases costs for everybody. We do not need more hardships for anybody.

SUSAN PROFFITT (Nevada Republican Club):

I cannot agree with the passage of this bill. I am disappointed that the Nevada Senate would put forth a huge tax increase at the worst possible moment in our recent history. It is policies like this that sent Nevada and the Country into the worst economic nosedive since the Great Depression.

These are not normal times, so we cannot do business as usual without further harming the community. I suspect paying an additional \$400 tax on a \$500,000 home would be a hardship for most people today. Eventually, residents could be taxed out of their homes or even the State. You need to know what many residents are saying, including one resident who says, "I am sick of corrupt, greedy people. This government is putting their foot on the necks of the people. They will fall just like Rome. The writing is on the wall. I hope they repent as soon as possible." These are strong words that reflect the sentiments of many Nevada residents.

We humbly request that you reconsider passing this bill and any others that will raise taxes. It is not Rome that is falling—it is Nevada and America. We are already suffering. Regardless of one's economic status, rich and poor are paying at least 15 percent to 30 percent more for just about everything as a result of the high inflation rates.

ALIDA BENSON (Executive Director, Nevada Republican Party):

We are in opposition to S.B. 96. Nevada does not have a revenue problem, it has a spending problem. It is outrageous this bill which would target Nevada

families who are already suffering under the heavy burden of out-of-control cost of living increases is even being considered. Our property taxes pay for a variety of things in our respective counties, including inflated employee salaries and four-day work weeks. Take a look at school administrators who are not in the classroom. Their pay is north of \$300,000, and they receive paid Peloton bikes on the taxpayer dime. Look at Clark County where countywide services are closed on Fridays, a luxury the service industry in Nevada is not afforded despite making up close to 40 percent of the jobs in the County. When the recession hits, local governments should do the same as taxpayers and cut the spending in their budgets.

A house is generally an individual's or family's biggest investment. The only appropriate discussion should be about reducing property taxes and returning taxpayer money to taxpayers. We have a budget surplus. Why would any taxes need to be raised? This bill would increase burdens on families living the American dream. People do not want to be lifelong renters. They want to own their own home and build a legacy to leave their children. Furthermore, this bill targets seniors who often live on fixed incomes. You need look no farther than Illinois where the drive to reset and restructure property taxes has led to uncapped property taxes resulting in property taxes that often are more than a mortgage. Get the government out of the way. Stop targeting Nevada families. On behalf of Republicans and taxpayers in the State of Nevada, we urge you to say no to S.B. 96.

BOB RUSSO:

I oppose S.B. 96 which would increase property taxes. *The Nevada Globe* stated in an October 14, 2022, article that "inflation in Nevada has reached 16 percent ... and hitting Nevada households the hardest. Rising prices are costing Nevada households an additional \$867 a month or \$10,402 a year since January 2021." We are likely to see further rate hikes by the Federal Reserve for the foreseeable future, which equates to higher mortgage rates. Analysts warned in a March 1, 2023, *Fortune* article that rate hikes could exceed 5.4 percent even though rates are at a 16-year high, and this has been recently verified by the Chair of the Federal Reserve, Jerome Powell. The *Daily Mail* reported that in 2021, Americans spent more on taxes than they did on food, clothing and health care combined.

Many Nevadans are unable to keep up with rising inflation and the increased cost of living. Sixty-three percent of Americans are living paycheck to paycheck

while consumer debt continues to increase at an alarming rate. As Nevadans, we must budget and live within our means to make ends meet, especially those on fixed incomes. Yet, proponents of this bill want to raise property taxes at a time when people are barely getting by. Perhaps it is time for the State to join everyday Nevadans and reduce everyday expenses instead of raising taxes. I urge you to oppose S.B. 96.

LISA PARTEE:

I urge you to vote no on S.B. 96. We need to learn how to not rely on federal dollars to manage our finances in Nevada. Get off the federal dole and live on your earnings as we do in households. There is no way we are going to guarantee that for any future emergency you will not come back and do this repeatedly. We cannot afford more property taxes. I ditto all the arguments made before me in opposition to this bill. Please vote no on S.B. 96.

KATIE BANUELOS (Libertarian Party of Nevada):

I agree with everyone who spoke before me. We strongly object to putting a floor on creating a minimum annual increase for property taxes. The correct property tax amount should be zero. When times are good, local governments will expand the scope of what they do to include services not actually valued by their constituents. When things tighten up, instead of simply raising the amount of money they take from people, they should cut back on the services that are least valuable.

JIM DEGRAFFENREID (Nevada Republican Party):

Our platform states we support those in public office who actively support and work toward lower taxes and fees and seek to reduce the size, cost and scope of government at all levels. Government cannot tax the State and residents into prosperity. Residents of the State are not undertaxed, and the State government is not underfunded. Our budget crisis is the result of years of overspending and mismanagement. Precisely when times are difficult is when we need to be concerned about putting extra burdens on families. Certainly today, when Nevada has a budget surplus, is not the time to be putting a minimum annual increase on taxes. Please do not support S.B. 96. It is not needed now, and it is inappropriate for the future.

LESLIE QUINN:

I concur with everyone who has opposed S.B. 96. As a realtor, we can see how people are purchasing. Unfortunately, a lot of people are not able to purchase. Last year, we saw between seven and eight increases in the interest rates. We are seeing people who cannot afford to purchase a home. Now you want to pass a bill to increase taxes even more, making it impossible for people who are working hard to purchase a home. Last year, we were at a 3 percent tax rate; and because of a kerfuffle at the assessor's office, we are paying 8 percent. People need to know they can afford to have the American dream. How can they when more spending by government is encouraged. We should help each other enjoy the American dream. You are not helping by spending more government money. Tighten your belts, learn how to work with what you have and stop spending more money by creating more taxes. I oppose S.B. 96.

CYRUS HOJJATY:

I am opposed to S.B. 96. This seems to be more of a regressive tax, not progressive. The State and local taxation is regressive. One reason why I oppose this is because we have hiked many failed taxes over the years, including the commerce and marijuana taxes. Whatever happened to these taxes?

There are some good arguments about raising taxes, but why are we trying to raise this tax? What about hiking gaming taxes? We pay one of the lowest gaming tax rates in the Country. We just had a bank failure. You have all these wealthy people on Wall Street—tax them. If you are going to raise some taxes, lower other taxes. Make this something that makes sense so we are not nicked-and-dimed time after time.

If you look at the states that have high property taxes, like Illinois, its home prices struggle to go up, and there is a lack of construction activity. This is going to really hurt the Vegas economy, especially since housing construction is on life support. People are going to stop moving here, causing the economic numbers to decrease. Our economy is not really diversified.

PAULINE LEE (Keystone Corporation):

I urge you to vote no on S.B. 96. Our mission is to promote private sector job creation, reduce taxes and promote responsible regulation. This bill is another attempt to raise taxes on our citizens during this challenging period of record-high inflation, high interest rates and a slow economy. The high

mortgage rates have slowed our housing industry to a screeching halt. Excessive government spending and government subsidies during COVID have created double-digit inflation and raised the cost of doing business, particularly with rising wages and the high cost of goods.

Businesses in Nevada, particularly small business, are facing challenging times. Why is this bill being proposed to create a more depressing financial burden on our citizens? This bill is reportedly being proposed to stabilize taxes. Who is stabilizing our household income? Who is stabilizing the income and revenue of businesses? The better choice is to reduce spending by local government. Instead of spending more, our local authorities need to spend smart.

Finally, the State has a significant surplus of approximately \$2 billion. There is no reason to impose higher taxation on our citizens when the government has sufficient funding. We just saw the insolvency of two banks sending shivers down our economic markets. Several other banks are also on the brink of insolvency which would likely impact our Nevada depositors. In the coming days and months, we will see how the insolvency of banks will send shivers down our entire economy in the United States. For these various reasons, we urge everyone to vote no on S.B. 96.

SENATOR NEAL:

The bill does not actually increase the property tax rate. The cap is 3 percent and 8 percent. The tax cannot go below 3 percent. The bill removes zero, and I also want on record that this was bipartisan when it came out of the Joint Interim Standing Committee on Revenue. Republicans and Democrats voted for the policy to move forward to come to the Legislative Session for 2023. I also want to refute the fact that this will affect the person buying a home because it has no relationship to people buying a home. The current tax caps are 3 percent and 8 percent. This bill is the first property tax bill to come about. I appreciate the passion of the opponents to this bill. Perhaps what I am saying about the bill is not being heard, so I would like Fiscal staff to put information on record for a better understanding of what is proposed in this bill.

MR. NAKAMOTO:

As a reminder, I am nonpartisan staff to the Legislature through the Legislative Counsel Bureau. I am not here to support or oppose legislation. I have been asked by the Chair of the JISCR to provide some clarification on the bill.

As drafted, S.B. 96 would only have a potential impact on a property tax bill if the calculation of the alternative abatement cap under NRS 361.4722 is made in a situation where the CPI for a calendar year is below 1.5 percent. In that case, there are instances where the alternative abatement could fall below 3 percent. The cap on single-family, owner-occupied residences and eligible residential rentals would also fall to that same level. That is not contemplated at this time. When the Department of Taxation does its calculations for the upcoming year, the Department will have a situation where any of the caps will fall below 3 percent. Looking at inflation calculations or forecasts going forward for the next several years, this is not something contemplated in the information I am seeing. That does not mean it would not happen, but the only instance where a property tax bill could potentially increase is in a situation where the inflation rate falls below 1.5 percent, and then the assessed value would be down below that rate as well.

SENATOR NEAL:

I leave it to the Senate Committee on Revenue and Economic Development to decide what is in the best interest in Nevada. Historically from 2006 to today, several data points recorded when we were at a negative number caused by a recession. Considering that if we are ever faced with a crisis in the future, stabilizing revenue and making sure we can pay for services in the State is an important agenda. This bill is not going after single-family residences or affecting anyone's ability to buy a home.

SENATOR SPEARMAN:

I think there was a misunderstanding in terms of how the California bank is going to recover. I want to read from the Federal Deposit Insurance Corporation's (FDIC) website because many times people do not understand the signage when making deposits. The sign reads: The FDIC is an independent agency of the federal government. The FDIC receives no congressional appropriations. It is funded by premiums that banks and savings associations pay for deposit insurance coverage.

VICE CHAIR DOÑATE:

The hearing on S.B. 96 is closed.

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CHAIR NEAL:
The meeting is adjourned at 2:44 p.m.

RESPECTFULLY SUBMITTED:

Connie Summers,
Committee Secretary

APPROVED BY:

Senator Dina Neal, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Introduced on Minute Report Page No.	Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Roster
S.B. 96	C	10	Briana Johnson / Clark County Assessor's Office	Presentation
S.B. 96	D	12	Michael Nakamoto / Fiscal Analysis Division	Table 2: Historical Actual Property Tax Partial Abatement Cap Factors
S.B. 96	E	14	Jeffrey Mitchell / Nevada Department of Taxation	Property Tax Assessment Presentation
S.B. 96	F	16	Jeffrey Mitchell / Nevada Department of Taxation	Tax Cap Factors
S.B. 96	G	17	Senator Dina Neal	Table 1: Property Tax Partial Abatement Cap Factors